

# Appendix 2

# Financial Reserves Policy

Version 2.0

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## Section 1 - Introduction

### 1. Purpose

- 1.1 The process used to determine and approve the level of reserves and balances gives a good indication of council's approach to financial management which should be followed as part of the:
- Financial planning (including Treasury and Capital Strategies).
  - Annual budget process.
  - Budget monitoring.
  - Final accounts process.
- 1.2 Reserves and balances form an integral part of measuring council's financial resilience and determining whether or not the Council's financial standing is soundly based and of going concern.
- 1.3 The purpose of the policy is to:
- a) Provide a framework that the Council should measure itself against when setting the budget to satisfy itself that the retention and holding of reserves and balances is appropriate to the operating environment and risks the Council faces.
  - b) Set out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance.

### 2. Scope

- 2.1 The policy at this time excludes capital financing and other accounting reserves which do not impact the Council's management accounts and form part of the budget process.

### 3. Background

- 3.1 In July 2022 the Executive Board approved the Council's Financial Reserves Policy. The policy is annually part of the budget process and once approved supersedes the previous policy.
- 3.2 Reserves are an important part of the Council's financial strategy and are held to create long term financial resilience and stability and an integral part of the Council's Medium Term Financial Plan (MTFP). The Council holds earmarked reserves and a General Fund balance in order to mitigate against future financial risks.
- 3.3 The policy covers the principles for when reserves will be held, the appropriate categories for reserves, and the Section 151 Officer recommended minimum levels of reserves and criteria for the release of reserves.

- 3.4 The Council continues to face truly exceptional circumstances as best demonstrated by the resultant budget gap post applying full extent of the Duties and Powers saving proposals still being of significant enough magnitude to need in excess of c£40m of Exceptional Financial Support. This is further exacerbated with uncertainty over funding beyond 2024/25. Therefore, it is critical to ensure the long-term financial sustainability that it has an appropriate level of earmarked reserves and in particular a financial resilience reserves to be able to mitigate any risks that appear in year which can't be contained within Directorate budgets.
- 3.5 Reserves are one-off money and can only be spent once. Therefore, the Council aims to avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan. One of the Council's financial principles is to stop the use of one-off funding to support the base budget. The Council has to balance the opportunity cost of holding reserves in terms of the impact upon Council Tax against the importance of interest earning and planning for long-term financial resilience.

## **4. Legal and Regulatory Frameworks**

### **4.1 Legal Framework**

- 4.1.1 The Local Government Act 2003 Section 25 includes the following statutory duty in respect of the budget report to the Council's Chief Financial Officer and Section 151 Officer to report on the robustness of the budget estimates and the adequacy of the reserves when the council tax decision is being made by the Council:

*'Where an authority to which Section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or Section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:*

- 1 The robustness of the estimates made for the purposes of the calculations, and*
- 2 The adequacy of the proposed financial reserves.'*

- 4.1.2 Section 26 of the same Act places an onus on the Section 151 Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget. For the purpose of the Act 'reserves' include 'general fund balances'.
- 4.1.3 The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Corporate Director of Corporate Finance and Resources. This is his statement under the Section 25 requirement of the Local Government Act 2003.

### **4.2 Accounting Code Requirements**

- 4.2.1 The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.

- 4.2.2 In March 2023 Chartered Institute of Public Finance (CIPFA) published 'Local Authority Reserves and Balances' Bulletin 13 which has been updated by the CIPFA Accounting and Financial Reporting Forum to include:
- a) A new unusable reserve established to hold the fair value movements on pooled investment funds.
  - b) The Dedicated Schools Grant (DSG) Adjustment Account unusable reserve.
  - c) Changes to the Code for the Telling the Story review introduced in the 2016/17 year.
  - d) A number of other more minor augmentations.
- 4.2.3 Whilst CIPFA bulletins provide influential guidance that is intended to assist practitioners with the application requirements of Code of Practice such as Local Authority Accounting, Service Reporting, and the Prudential Code; they are not prescriptive and do not have the formal status that the Codes do.
- 4.2.4 Whilst CIPFA bulletins provide influential guidance that is intended to assist practitioners with the application requirements of Code of Practice such as Local Authority Accounting, Service Reporting, and the Prudential Code; they are not prescriptive and do not have the formal status that the Codes do.
- 4.2.5 In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 4.2.6 In response to the above requirements, this policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance.

### **4.3 Financial Management Code**

- 4.3.1 The Chartered Institute of Public Finance and Accountants (CIPFA) published a Financial Management (FM) Code in October 2019. One of the 17 standards included within the FM Code is 'the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.'
- 4.3.2 Although there is no legal requirement for the Council to comply with the FM code, compliance to the code is something that the Council is working towards and has mapped these to the Finance Improvement Plan activities.
- 4.3.3 This statement also forms a key element of the Value for Money audit undertaken by the Council's external auditors.

## **5. Compliance with Financial Regulations**

- 5.1 The policy constitutes as supplementary Finance Guidance and therefore should be read in conjunction with council's Finance Regulations.

5.2 Directors need to ensure that all staff (including non-permanent staff) in their departments are aware of the policy and comply with its content as any non-compliance can constitute as a disciplinary action.

## **6. Policy Ownership and Review**

6.1 Council's Section 151 Officer is the owner of the policy and any associated decisions with regards to reserves are delegated to the Section 151 in accordance with Council's Constitution and Finance Regulations.

6.2 The policy will be reviewed annually by the Section 151 Officer and Deputy Section 151 Officer with any major changes consulted with:

- Portfolio Holder Lead for Finance
- Chief Executive
- Corporate Leadership Team

6.3 Updated version of the policy will be made available to all relevant council staff via council's intranet.

## Section 2 – Types of Reserves

### 7. Types of Reserves

7.1 There are two different types of reserve, general and earmarked, which are held for different purposes and are managed depending upon their type.

#### 7.2 General Reserves

7.2.1 General Reserves should only be called upon to meet unanticipated expenditure arising from unexpected or emergency events. General reserves are held for two main purposes:

- as a Contingency; and/or
- as a Working Balance

#### 7.3 Earmarked Reserves

7.3.1 Earmarked reserves are sums specifically held to enable funds to be built up to meet known or predicted expenditure.

### 8. Reserve Review

8.1 A reserve review is being undertaken to conclude alongside the 2023/24 year-end process. The purpose of the review is to establish a Reserve Register which becomes a key tool in monitoring of reserves providing visibility to the Section 151 Officer of the reserve balances.

8.2 The first stage is complete with the establishment of a Reserve Register and revised categorisation. The next stage of the reserve review is to start collating commitment information to feed this into the Reserve Register.

8.3 Once the review is complete this will help establish a new process for approving and monitoring reserves.

### 9. Reserve Categorisation

#### 9.1 Current Reserve Reporting Category

9.1.1 The Council's earmarked reserves are currently categorised and reported in the in the following way:

##### a) Restricted Reserves

- Capital - Sums that have been set aside in previous years to provide additional funding for the capital programme or to manage the impact of new capital schemes that have not yet been included in the capital programme.
- Schools - This represents funds that have been allocated to schools under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support other General Fund

- expenditure.  
b) Other Reserves

## 9.2 Updated Reserve Reporting Category

9.2.1 From 1 April 2024 the Council will be reporting reserves using the following categories:

<b>Table 1: Reserve Categorisation</b>	
<b>Category</b>	<b>Description</b>
Non-Controllable Restricted Reserves	This will include balances where the Council is the lead accountable body and holds balances on behalf of any partnership, schools etc...
Controllable Ringfenced Earmarked Reserves	These will include balances where the Council is holding funds in reserve in accordance with accounting practice and/or standards or where the funds have a ring-fenced apply due to statute
Controllable Non-Ringfenced Earmarked Reserves	These balances are not ringfenced and provide flexibility to the Council to use as risk reserve
General Fund Balance	This is council's contingency / working balance, set aside to help cushion the Council from the impacts of unexpected events or emergencies

9.2.2 Within these categories there are a number of earmarked reserves, established for a specific purpose.



## Section 3 – General Fund Reserve and Balances

### 10. Financial Position

- 10.1 As set out in the February 2023 Executive Board, Budget report, the Council holds substantial levels of reserves when viewed as a global figure, but the composition of reserves on an individual basis is important to understand fully in the context of the Councils financial resilience.
- 10.2 The Council needed to utilise £9.8m of reserves (unplanned) to deliver a balanced budget in 2022/23.
- 10.3 In setting a balanced budget for 2023/24, the Council temporarily repurposed £20.0m of earmarked reserves in 2023/24 in order to establish an adequate balance on the Financial Resilience Reserve. This repurposing was repayable and contained as part of the revised MTFP. It should be recognised that pursuing such a course of action highlighted the fragility of the Councils financial resilience position.
- 10.4 In recognition of the in-year financial challenge, the repayment of the £20m was smoothed over 8 years (two MTFP cycles).

### 11. Indicative General Fund Reserve position as at end of Period 8

- 11.1 Table below sets out the provisional earmarked reserves and General Fund balance as of 31 March 2023 and forecast to 31 March 2024 as at Period 8.

<b>Table 2: Draft General Reserve balance as of 31 March 2024</b>			
<b>Reserve / Balance</b>	<b>31/03/2023 (Provisional)</b>	<b>Forecast as at Period 8</b>	<b>31/03/2024 (estimate as at Period 8)</b>
Schools	(30.208)	5.272	(24.936)
Non - NCC Funds (accounting body)	(0.663)	0.000	(0.663)
Partnership Fund	(0.835)	0.301	(0.533)
Non-Controllable Restricted Reserves	(31.705)	5.574	(26.132)
Private Finance Initiatives	(54.144)	15.178	(38.966)
Ring-Fenced Accounts	(7.204)	1.306	(5.898)
Collection Fund	(10.601)	6.915	(3.685)
Capital	(4.062)	1.013	(3.049)
Revenue Grants – Restricted	(7.860)	0.679	(7.181)
Information Technology	(7.587)	6.019	(1.568)
Asset Maintenance	(4.179)	(0.581)	(4.761)
Insurance	(3.919)	0.000	(3.919)
Controllable Ringfenced Reserves	(99.556)	30.530	(69.026)
Local Economy	(1.597)	0.025	(1.572)
Revenue Grants – Unrestricted	(12.424)	7.846	(4.578)
Transformation	(4.238)	1.959	(2.279)
Services	(5.331)	2.189	(3.142)
Corporate (Treasury Management & Workforce)	(18.143)	0.484	(17.659)

<b>Table 2: Draft General Reserve balance as of 31 March 2024</b>			
<b>Reserve / Balance</b>	<b>31/03/2023 (Provisional)</b>	<b>Forecast as at Period 8</b>	<b>31/03/2024 (estimate as at Period 8)</b>
Financial Resilience Reserve	(5.043)	(13.169)	(18.212)
Contingency & Risk	(6.804)	0.000	(6.804)
Controllable Non-Ringfenced Reserves	(53.580)	(0.666)	(54.246)
<b>Total Earmarked Reserves</b>	<b>(184.841)</b>	<b>35.437</b>	<b>(149.404)</b>
General Fund Balance	(13.643)	(1.000)	(14.643)
<b>Total Reserves and Balances</b>	<b>(198.484)</b>	<b>34.437</b>	<b>(164.047)</b>

## 12. Financial Resilience Reserve

12.1 The increase in the Financial Resilience Reserve (FRR) between 31 March 2022 and 31 January 2023 was driven by the requirement to increase this balance in the context of increasing demands and a projected 2022/23 in year overspend. Any actual overspend from the final outturn position of c£9.8m was called upon the FRR.

### 12.2 £20m Reserve Repayment

12.2.1 As part of the 2023/24 budget process the Section 151 Officer concluded that internal repurposing of £20m from earmarked reserves into the FRR was required in order to provide resilience, summarised below. In recognition of the financial challenge, the £20m is now profiled to be paid back over 8 years, as set out in the July 2023 Executive Board. The table below summarises the propose of this fund.

<b>Table 3: £20m borrowing and repayment of earmarked reserves</b>		
<b>Estimate of requirement</b>	<b>Narrative</b>	<b>£m</b>
Over commitments on the Finance Resilience Reserve (FRR) arising in 2022/23.	The FRR is held for to manage any risks that can't be managed within existing departmental budgets. The Qtr3 2022/23 assessment of this reserve and possible future calls concluded that the reserve is very likely to be overcommitted.	4.505
Improvement expenditure within Transformation Programme	Some activity included within the Transformation Programme is not eligible to be funded from Flexible Use of Capital Receipts and therefore requires funding from revenue resources	1.970
Replenishment of FRR to cover unforeseen pressures in 2023/24 to provide financial resilience	The forecast overspend together with existing risks will exhaust the FRR as of the 1 April 2023/24 and therefore in order to ensure adequacy of reserves requires a significant balance to be held on this reserve	13.525
<b>Total</b>		<b>20.000</b>

12.2.2 Set out below is the original profile of the repayment.

<b>Table 4: MTFP surplus and repayment of reserves (cumulative presentation)</b>				
<b>Budget Item</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
Net Budget	32.856	37.179	40.125	45.071
Funding	(34.183)	(52.120)	(57.914)	(63.830)

<b>Table 4: MTFP surplus and repayment of reserves (cumulative presentation)</b>				
<b>Budget Item</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
Available MTFP surplus	(1.326)	(14.942)	(17.789)	(18.759)
Repayment to borrowed reserves	1.326	14.942	3.732	0.000
Available for future growth / contribution to reserves	0.000	0.000	14.058	18.759
Balanced MTFP	0.000	0.000	0.000	0.000
Total	1.326	13.615	4.089	0.969

### 13. General Fund Balance

- 13.1 The General Fund balance on 1 April 2023 is £14.6m. This updated and previous MTFP assumes a £1.0m per annum contribution and therefore the balance will increase to £15.6m as of 31 March 2025, which equates to 4.38% of the projected net budget.
- 13.2 The level of the General Fund Balance reserve is a matter for the Full Council to determine having had regard to the advice and recommendations of the Section 151 Officer as part of the annual budget approval. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. This is considered on an annual basis as part of the Robustness of Reserves assessment which forms part of the annual budget setting process and MTFP report. It will also take account of the extent to which specific risks are supported through earmarked reserves.
- 13.3 Table below shows the assumed general fund opening balance for each year of the current MTFP and the percentage of net budget. The percentage of net budget ranges from 3.74% to 4.38% across the period of the MTFP.

<b>Table 5: General Fund Balance Assumption</b>				
<b>Budget Item</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>
Balance brough forward 1 April	15.643	16.643	17.643	18.643
Net Budget	356.801	387.224	434.663	498.272
General fund % of net budget	4.38%	4.30%	4.06%	3.74%

- 13.4 The Council's Section 151 Officer recommends that the Council continues to work towards increasing this percentage to 7.5% to reflect both the heightened financial risk that the Council is facing and an increase to support the commensurate revenue budget increase. To transition the Council towards establishing a 7.5% level of General Fund balance the Section 151 Officer intends to make a contribution to the General Fund balance of £9.560m in 2024/25 that equates to approx. 7.34%. There will be further opportunity to increase the General Fund balance to the recommended level as part of the final outturn.
- 13.5 The Section 151 Officer is responsible for managing the general fund balance reserve and use of this can only be made on the recommendation of the Section 151 Officer to the Executive Board. An assessment of the adequacy of the general fund balance reserve will continue to be carried out on an annual basis and form part of the annual budget report.

## Section 4 – Housing Revenue Account Reserve and Balances

### 14. Housing Revenue Account (HRA)

- 14.1 HRA Reserves are amounts specifically required by statute to be set aside and ring-fenced for future investment in HRA. The Council must ensure that there are adequate reserves in the HRA.
- 14.2 The Council is required to maintain a balanced HRA, and this includes the retention of an adequate level of reserves to act as a contingency against risks. The Council's Reserves Policy requires that, at the beginning of each financial year, this working balance be maintained at a minimum level of £10m, which is approximately 10% of the rental income.

**Table 6: HRA Working Balance (cumulative presentation)**

Budget Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Balance brought forward 1 April	(10.000)	(10.000)	(10.000)	(10.000)
Contributions to Working Balance	0.000	0.000	0.000	0.000
Contributions from the Working Balance	0.000	0.000	0.000	0.000
<b>Total</b>	<b>(10.000)</b>	<b>(10.000)</b>	<b>(10.000)</b>	<b>(10.000)</b>

- 14.3 The opening balance of the HRA General Reserves for 2024/25 is forecast at £90.854 million as shown in the table below.

**Table 7: HRA Reserves (cumulative presentation)**

Budget Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Balance brought forward 1 April	(90.854)	(87.860)	(92.634)	(103.600)
Contributions to Working Balance	(38.957)	(49.889)	(54.829)	(58.208)
Contributions from the Working Balance	41.951	45.115	43.863	41.202
<b>Total</b>	<b>(87.860)</b>	<b>(92.634)</b>	<b>(103.601)</b>	<b>(120.606)</b>

- 14.4 The Council's HRA General Reserve balance at 31 March 2023 is £52.764m. The HRA also holds earmarked reserves for lift replacement £0.186m and pre-start site investigation works £0.266m
- 14.5 In addition to these revenue reserves, councils with HRAs are required to maintain a Major Repairs Reserve (MRR), for the purpose of financing long term capital works to the housing stock. The Council's MRR balance at 31 March 2024 is estimated to be £37.638m.

## Section 4 – Medium Term Financial Plan Reserve and Balances Forecast

### 15. Reserve Forecast 2034/24 to 2027/28

15.1 Table below shows the projected reserve balances over the period of the MTFP

<b>Table 8: Reserves and Balances Forecast 2023/2024 to 2027/28</b>				
<b>Reserve / Balance</b>	<b>31/03/2025 (estimate)</b>	<b>31/03/2026 (estimate)</b>	<b>31/03/2027 (estimate)</b>	<b>31/03/2028 (estimate)</b>
Non-Controllable Restricted Reserves	(26.140)	(26.148)	(26.141)	(26.174)
Controllable Ringfenced Reserves	(69.069)	(69.112)	(73.910)	(79.931)
Controllable Non-Ringfenced Reserves	(18.238)	(11.612)	(11.709)	(11.806)
<b>Total Earmarked Reserves</b>	<b>(113.447)</b>	<b>(106.873)</b>	<b>(111.761)</b>	<b>(117.912)</b>
General Fund Balance	(25.203)	(26.203)	(27.203)	(28.203)
<b>Total General Fund Reserves and Balances</b>	<b>(138.650)</b>	<b>(133.076)</b>	<b>(138.964)</b>	<b>(146.115)</b>
HRA Balance	(10.000)	(10.000)	(10.000)	(10.000)
HRA Reserve	(87.860)	(92.634)	(103.600)	(120.606)
<b>Total HRA Reserves and Balances</b>	<b>(97.860)</b>	<b>(102.634)</b>	<b>(113.600)</b>	<b>(130.606)</b>
<b>TOTAL</b>	<b>(236.510)</b>	<b>(235.710)</b>	<b>(252.564)</b>	<b>(276.721)</b>

15.2 With emphasis on the General Fund reserves and balances, the table above sets out against the General Fund forecast closing balance of £164.047m at 31 March 2024, a material reduction in overall reserves. The key factors that look to reducing the level of balances over the next year reflect a combination of:

- professionally assessed estimated commitments;
- prior year accounting adjustments identified to date; and
- the need to establish a higher level of General Fund balance commensurate with the increased revenue budget and risk assessment (section 13).

15.3 In light of a nil balance being left on the FRR, a £10m one-off contribution is being recommended through the General Fund budget to allow for this to be deployable in-year. Annex A provides further detail of the reserves.

## Section 5 – Governance

### 16. Controllable Reserves

- 16.1 The Council's controllable reserves will be held and managed corporately and the use of is subject to a prioritisation process and assessment of the use of the reserve for the approved purpose. Approval of the Section 151 Officer or deputy Section 151 Officer is required in order to apply the use of earmarked reserves to support revenue expenditure. Each application will require a robust justification and will be assessed based on the planned and approved legitimate use of the reserve and the financial situation of the Council at that time and may result in earlier decisions for funding being revisited and amended.
- 16.2 Reserves are to be reviewed annually to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part or require topping up based on known/expected calls upon them. Particular attention will be paid in the annual review to those reserves whose balances have not moved over a twelve-month period.

### 17. Management and Governance

- 17.1 Approval arrangements to be as follows:
- Responsibility of reserves is delegated to Section 151 Officer and decision of use and amalgamation will be at their prerogative.
  - Corporate Directors are required to apply to the Section 151 Officer to establish a new reserve and to specify the intended use and to demonstrate their plans for use of such a reserve over the period of the MTFP. The planned use shall be reflected in the development of the annual MTFP process.
  - Corporate Directors are required to apply to the Section 151 Officer/ Deputy Section 151 Officer in requesting approval for draw down from or contributions to reserves.
  - The Section 151 Officer / Deputy Section 151 Officer shall approve the use of all earmarked reserves provided that the intended use is in accordance with the purpose for which the reserve was established and approved.
  - Corporate Directors will be the designated officer in each Directorate responsible for submitting requests to the Section 151 Officer / Deputy Section 151 Officer for any contributions to or from earmarked reserves via their relevant Finance leads.
  - Movements reserves will be undertaken as part of the budget monitoring process.
  - Drawdown requests from the FRR will require approval of the Section 151 Officer, using the relevant template proforma.

- FRR drawdowns will be subject to Section 151 Officer approval and where appropriate decisions reported to CLT.
- 17.2 Each earmarked reserve must be supported by a standard proforma to maintain an audit trail. The proforma will be set by the Section 151 Officer or Deputy Section 151 Officer and will contain:
- the named individual in the Directorate/Division (usually the Corporate Director) and the Finance lead.
  - a clear rationale and description for the movement in the reserve,
  - details of any conditions associated with the reserve (e.g., grant, legal requirements)
  - a profile of expected movements and an end date - at which point any balance should be transferred to the general reserve.
- 17.3 If there is a genuine reason for slippage, then the proforma will need to be updated at the next available quarterly review.
- 17.4 Reserves with no movement in 2 years will be returned to the centre to be held corporately as part of the regular review of reserves.
- 17.5 An annual review of each earmarked reserve is to take place between the Section 151 Officer, Deputy Section 151 Officer and relevant Corporate Director and Finance Business Partner to ensure that all reserves comply with legislative and accounting requirements. This review will ensure that that the number and value of reserves is not unnecessarily increasing annually and will continue to be held corporately.
- 17.6 A de-minimis level has been set to avoid small funds being set up which could be managed within existing budgets or declared as an overspend and then managed collectively with the express agreement of the Section 151 Officer. This has been set at £0.250m, the exception being where reserves have specific grant or legal conditions.
- 17.7 Each proforma will clearly identify contributions to and drawdowns from reserves, and these will be built into the MTFP and monitored on a quarterly basis. Accessing reserves will only be for significant unusual spend, more minor fluctuations will be managed or declared as budget variances. Ongoing recurring costs should not be funded from reserves. Any request contrary to this will only be considered during the annual budget setting process.
- 17.8 The short-term use of reserves may be agreed by the Section 151 Officer to provide time to plan for a sustainable funding solution in the following financial year. Decisions on the use of reserves may be delayed until financial year end and will be dependent on the overall financial position of the Council rather than the position of just one budget area.
- 17.9 All reserves are reviewed as part of the monitoring process, the budget preparation, financial management and closing of accounts processes. Executive Board is presented with the reserves position in the outturn report and the Council will consider a report from the Section 151 Officer on the adequacy of the level of

reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary.

17.10 The following principles will be applied by the Section 151 Officer:

- Any in year use of the General Fund balance reserve will need to be approved by Executive Board and any future planned use will be part of the budget setting process and subject to full Council approval.
- In considering the use of reserves, there will be no or minimal impairment to the Council's long term financial resilience unless there is no alternative.
- The proposed MTFP assumes a risk assessed contribution to the FRR, potential risk items over the period of the MTFP have been given a likelihood probability rating and this risk assessed amount has been added to the FRR over the period of the MTFP. It is recommended that future MTFPs are constructed on this basis.
- The FRR assumed within the MTFP should be off sufficient value to ensure that the overall budget can be signed off as being robust and that the reserve value is adequate given the prevailing risks at that time.
- In the event of any in year underspends from the final outturn position these should be used to contribute to the FRR rather than the use of departmental carry forwards.
- In the event of internally borrowing and repayment of earmarked reserves, priority in the MTFP is to be given to the repayment of these reserves over a period defined by the Section 151 Officer, this repayment period will be influenced by the risks and financial environment for which the Council is operating within.

17.11 The Council will review the Financial Reserves Policy on an annual basis and will form part of future Medium Term Financial Plan reports to Executive Board which will then be subject to Full Council approval in March annually.



## Annex 1 – General Fund Reserves

Reserve / Balance	31/03/2024 (Estimate)	31/03/2025 (Estimate)
Schools	(24.936)	(24.936)
Non - NCC Funds (accounting body)	(0.663)	(0.663)
Partnership Fund	(0.533)	(0.542)
Non-Controllable Restricted Reserves	(26.132)	(26.140)
Private Finance Initiatives	(38.966)	(39.790)
Ring-Fenced Accounts	(5.898)	(5.898)
Collection Fund	(3.685)	(4.346)
Capital	(3.049)	(0.228)
Revenue Grants - Restricted	(7.181)	(7.176)
Information Technology	(1.568)	(3.185)
Asset Maintenance	(4.761)	(4.527)
Insurance	(3.919)	(3.919)
Controllable Ringfenced Reserves	(69.026)	(69.069)
Local Economy	(1.572)	(1.572)
Revenue Grants - Unrestricted	(4.578)	(4.458)
Transformation	(2.279)	(0.254)
Services	(3.142)	(2.514)
Corporate (Treasury Management & Workforce)	(17.659)	(5.116)
Financial Resilience Reserve	(18.212)	(1.000)
Contingency & Risk	(6.804)	(4.249)
Controllable Non-Ringfenced Reserves	(54.246)	(19.238)
<b>Total Earmarked Reserves</b>	<b>(149.404)</b>	<b>(114.447)</b>
General Fund Balance	(14.643)	(25.203)
<b>Total General Fund Reserves and Balances</b>	<b>(164.047)</b>	<b>(139.650)</b>